

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
BOARD OF DIRECTORS
MINUTES OF Monday, September 29, 2014 MEETING

Board Members Present: Mayor Scott Avedisian; Jerome Williams; Stephen Durkee; Director Michael Lewis; Maureen Martin; Peter Ginaitt and Mark Susa

Absent: Margaret Holland McDuff

Also Present: Raymond Studley, CEO; Todd Gleason, Outside Counsel; Benjamin Salzillo, In-House Legal; Marie DiToro, Recording Secretary; and other members of RIPTA's staff, and members of the public whose names are on the sign-in sheet.

Agenda Item 1: **Board Approval of the August 18, 2014 meeting Minutes**
 Board Approval of the September 8, 2014 Special Meeting
Minutes

Mayor Avedisian calls the meeting to order. He announces that unfortunately, Ms. Holland McDuff will not be able to attend today's meeting.

He asks for a motion to approve the August 18, 2014 meeting minutes. Mr. Ginaitt makes a motion to accept the August 18, 2014 minutes as presented. Mr. Williams seconds the motion and it passes unanimously.

Mayor Avedisian asks for a motion to approve the meeting minutes from the special board meeting held on September 8, 2014. Mr. Williams makes a motion to approve the minutes as presented. Mr. Durkee seconds the motion and it passes unanimously.

Agenda Item 2: **Presentation of Governors Citations and RIPTA Board of Directors Certificates**

Mayor Avedisian states that he is going to read into the record a narrative that was prepared by RIPTA Chief Security Officer, Jamie Pereira.

On June 27, 2014 at approximately 11:45 pm Fixed Route Bus Operator Rene Lavoie was exiting Route 95 South onto the Elmwood Avenue off ramp. Operator Lavoie observed a vehicle at the top of the exit travelling in his direction the wrong way up the ramp. Mr. Lavoie pulled on the brake and exited the bus. Mr. Lavoie jumped into the driver's seat and put the vehicle in park. Lavoie noticed that the driver could not move and was

unresponsive. The operator of the wrong way vehicle was a RIPTA employee that had just left work and was driving home when he went into diabetic shock.

While Mr. Lavoie was assisting the diabetic operator, a woman and her male passenger observed that the unoccupied bus was rolling down the ramp where Elmwood Avenue intersects with the ramp. The female driver, Briana Poole stopped the vehicle and her passenger, Anthony Richard jumped out of the car and onto the bus. Mr. Richard slowed the bus and was able to stop it in a safe location. Mr. Richard was able to park the bus because he had received CDL training in the past. Mr. Lavoie is a twenty (20) year employee here at RIPTA.

Mayor Avedisian states that two bad situations were made better by people taking incredible action. He then welcomes Rene Lavoie to come forward. On behalf of the Board of Directors, RIPTA's CEO and a citation from Governor Chafee they would like to thank Mr. Lavoie for his efforts and all his work to ensure that this event did not end in a disaster.

Mayor Avedisian asks Briana Poole and Anthony Richard to please come forward to thank them both for being in the right place at the right time to take tremendous action in helping out with this situation.

Agenda Item 3: Public Comment

(Board members take public comments under advisement, but do not respond except for clarifications. Members may follow-up on public comments in writing post-meeting as permitted by applicable law.)

Mayor Avedisian welcomes Mr. Batting to speak. Mr. Batting thanks RIPTA for the responses to his letter from July. Over \$2 million has been spent on the street car studies for the city of providence and he still has a number of questions on the capital costs, duration and other items, and will put in writing a request to get the actual core connector study so he can understand the capital costs for the street car project. Items like how and where it will be maintained, is there a provision for facilities, are questions he still would like answers to.

Mayor Avedisian states that the Board normally does not respond to public comment however, he would like to clarify that this is not a RIPTA project and he wants to make sure it is known that RIPTA did not apply for nor was RIPTA awarded the federal grant. RIPTA can give what information they have, however some questions may need to be redirected to the City of Providence. Mr. Batting responds that he believes there was a Board Movement on the original \$500,000 study. Mayor Avedisian responds that this is correct; however the City of Providence has applied for additional federal money that did not have Board sanction. Mayor Avedisian states that RIPTA will answer what questions they can, however other questions may have to be directed to the City of Providence Planning department.

Mr. Batting is asking that the people who are running for Mayor of Providence be informed that they would be responsible for continuing this proposal.

Mr. Batting states that he was in the United Kingdom for a little over three weeks. One place he stayed was in Edinburgh. They have a fixed rail system over there and it is a disaster and basically empty. However, the Double Decker buses were filled. They have a serious problem with rail system and the over runs were astronomical and he puts that out there as a cautionary tale. He thanks the Board for their time.

Mr. Rhodes is welcomed to speak. He extends congratulations the three individuals who received the recognition today and thought it was a great way to start the meeting.

He states that the RIPTA Riders Alliance and RIPTA co-sponsored a public forum on question 6 on the ballot in the upcoming election. It received great media coverage from Channel 12, 10, 6 and NPR which they were really happy for. He is hoping to hear from the Board directly in support of question 6 on the ballot. He wants all parties on the same page and in support of this.

Mayor Avedisian thanks Mr. Rhodes for speaking and for clarification purposes only, the Mayor would like to say that RIPTA can not advocate officially for Bond issues, however individual members of the Board will be at different events asking voters to support item number 6, but it cannot be officially done as an entity. As a quasi-public agency RIPTA is not allowed to advocate on bond issues using any of its resources.

Mayor Avedisian welcomes Mr. Susa to speak. Mr. Susa was happy to see so many people at the R-Line Ribbon Cutting ceremony. He thought that was fantastic and outstanding. He stated that Channel 10 did a great job covering the event.

Mr. Susa asked Mr. Therrien when the last run leaves Kennedy Plaza on the 90X at night and goes to Hope Valley. Mr. Therrien responds he thinks it is 5:10 pm. However, the 66 bus does run till 10pm. Mr. Susa thanks Mr. Therrien for the information.

Ms. Ele Felaco begins by stating that the last time she spoke she pointed to a sign and stated that RIPTA was not listening to customers. She now states that indeed RIPTA has been listening and would like to thank whoever decided it was a good idea to put the schedules on the temporary bus stops, as well as at the Warwick Mall hub. However, when she recently tried to catch the bus at night, it was too dark for people to read the bus schedules. When she attempted to contact other companies to get the lights turned on she was given the run around. The issue was also picked up by the Providence Journal last week. Ms. Ele Felaco also stated that the meeting held last week would have had a higher turnout had it been both publicized more and earlier. She also noted that the meeting should be held in a larger space to complement higher attendance.

Mr. Harrington states that he is deeply invested on the "Yes on 6" campaign. There is a coalition of private, public as well as labor in support of the multi hub and thinks it would

be a huge step forward for the public transit system and improve the quality of life for the passengers. He would like to encourage more investment in public transit.

The public ATU has two national campaigns that they are moving forward on. The first is assaults on drivers and the other are bathroom breaks. He is fortunate to have a line of communication with the Authority and the CEO here at RIPTA to address both items. Bathrooms breaks are a major problem in the industry. Currently, he is working closely with the Authority on better working conditions for the employees. He thanks the Board for their time.

Agenda Item 4: CEO Update

Mr. Studley states that in the narrative section the gas tax is under budget as expected. The expenses are under budget by 7.4% along with the revenue being under budget due to the draw down process being behind due to the Highway Trust Fund issues. Passenger revenue is down by \$200,000 due to college being out of session. Expenses are hopeful to run under budget for the remainder of the fiscal year. Mr. Studley states that RIPTA is locked in at \$3.22 per gallon for diesel until March 2015 and \$3.16 lock in from March to September 2015. The fuel prices are monitored by Procurement on a daily basis.

Mayor Avedisian asks if the variance in federal revenue is just based on when RIPTA gets the check in and Mr. Studley responds yes that is correct.

Mayor Avedisian moves on the ATMS Update.

Mr. Studley states that a few weeks ago ATMS came with the legal and executive team to meet with Mr. Studley, Ms. LeClerc, Mr. Tierney and RIPTA's attorney, Mr. Salzillo. Every item was discussed in the base contract and especially what items have not been met. A new contract was drawn up to go forward with. Xerox will dedicate more personnel here at RIPTA. Both their staff and RIPTA's staff went through the entire inventory that is on the property. RIPTA wanted to make sure every bus has the system installed properly. There are still a few minor issues with the installation, however, part of that is due to functionality. They have a patch for the AGC which will clearly affect the volume of the announcements. He is hopeful that by the spring of next year everything should be complete and all set. A new time line and payment schedule is being worked on as well.

Mayor Avedisian states that according to the report it has RIPTA doing the translation in house. He then asks if this was originally in their scope to complete and Ms. LeClerc responds yes it was however it would be more cost effective, easier and better if RIPTA handles this in house.

Mr. Studley states the planning department is pulling information and data from the system and it is exceptional data. He believes the analysis that will be able to be run from the system, once everything is up and running, will be a huge asset to RIPTA.

Mayor Avedisian asks if all new buses purchased will have this technology in them so it does not have to be retro-fitted. Mr. Studley states that buses will be hardwired for it and this will be built into the specifications for the buses.

Mr. Studley moves on to the Kennedy Plaza update. Last week, there was a hearing for the riders to provide an update on Kennedy Plaza. He reminds everyone that this is the City of Providence's project and asks the Board and riders to be patient. The completion date currently is December 1, 2014. RIPTA continues to meet weekly, sometimes daily on the process at Kennedy Plaza. The concrete pads have been poured and the next step would be hardwired conduit run to all the stops. All the light fixtures have been taken down and are being painted here at RIPTA's body shop and are coming out great. Some of the signage has hardwired conduit to it so a lot of the signs will be illuminated which will be a nice amenity for the passengers. It is going as planned and he understands it can be frustrating and appreciates everyone's patience.

Agenda Item 5: FY14 Annual Financial Report: Presentation by Bacon & Co

Mayor Avedisian welcomes Ms. Neira and Bacon and Company to present the FY14 Annual Financial Budget. Ms. Neira states that they are here today to request the Board of Directors to approve the FY14 Financial Audit. Once the report is approved the final will be submitted to the Auditor General, which is due tomorrow, so hopefully all will go well today. The audit report will also be submitted to the GFOA and that is in anticipation of receiving a certificate of achievement for excellence in financial reporting. Ms. Neira states that here today is Ms. Pat Boucher and Ms. Cheryl Langevin from Bacon and Company to present the FY 14 Annual Financial report.

Ms. Langevin states that she will provide a brief overview and then open it up for questions. On pages 8-10 is the audit opinion. Page 17 is the statement of net position. Toward the bottom of the page it gives RIPTA's net position; there is \$143.4 million for net investment in capital assets and there is an unrestricted deficit of \$43.8 million bringing RIPTA's total net position to \$99.6 million. On page 18, it shows the Statement of Revenues, Expenses and Changes in Net Position for the year. The operating revenues were \$33 million; operating expenses were \$119.8 million resulting in an operating loss of \$86.8 million. Then there were various non operating revenues and expenses of \$64.9 million resulting in a loss before the capital contributions of \$21.9 million and then finally capital contributions of \$5.7 million resulting in a net decrease in net position of \$16.3 million for FY 14. On page 26 of the footnotes, Ms. Langevin directs the Board of Directors to footnote 3 regarding capital assets. Between FY13-FY14 the net capital assets decreased \$9.1 million so basically the depreciation is more than what was added last year. On page 28, note 6, are the changes in long term debt. The net OPEB obligation increased \$6.6 million so now the total net OPEB obligation is up to \$44 million. The accrued self insurance claims increased \$1.4 million this year coming to a total liability of \$7.8 million. On page 38, Required Supplementary Information, there is a table on the pension and other employee benefit plan. The salary unit plan was 76.74 % funded and the bargaining unit plan was 68.45% funded and the OPEB is unfunded at this point. As Ms. Neira stated the draft has been sent to the Auditor General Office and they have provided their comments and those were implemented. There is one legal letter that should come in today and then it will be complete. Ms. Langevin states that next year, RIPTA will be implementing GASB statement number 68 which has to do with the accounting and financial reporting for pension. This

will change the way the pension liability appears in your financial statement and is calculated. The actuarial valuations are still being completed so she does not know what the effect this will have but she believes it will be a material effect on the financial statements. The liability will increase. The management letter should be coming shortly and by the next meeting the Board members should have that. The next thing will be the single audit will begin over the next few weeks.

Mr. Williams would like to highlight a few things. There are a number of things that Bacon & Co factor into what they call a deficit at the end of the year. For one, depreciation which is a non cash expense is \$16 million. He does not want people leaving today's meeting thinking that RIPTA has a \$23 million deficit. He would like to also highlight that the gas tax revenue has decreased by \$1.4 million and that is a continuous source of issue to RIPTA along with DOT. RIPTA's cost have not gone down, but the gas tax revenue has gone down and this is a positive on the team at RIPTA working toward reducing cost because the revenue is not keeping up. Mr. Williams states that on page 15 that was highlighted earlier that there has been no increase in the base fare since 2010. Mr. Williams states that there are a number of things happening relative to Post Employment Benefits, but he cannot go through a meeting looking at financial reports without saying that this is something that RIPTA cannot keep passing along. When he looks at the additional obligation going up \$6.6million in one year to a total of 44 million is a huge threat to RIPTA. He is saying it here in preparation for the FY 16 Budget coming up later in the agenda RIPTA has to address this and make the point clear to the Legislature and the Governor because this is a huge issue to any organization and it is huge issue for RIPTA. He thanks Mr. Studley and his team for all their efforts over the past couple of year's bringing down costs. He thinks that it is time to look forward and significantly address the OPEB issue.

With no further questions, Mayor Avedisian asks for a motion to approve the Draft FY14 Financial Audit. Director Lewis makes a motion to approve the Draft FY 14 Financial Audit as presented today. Mr. Williams seconds the motion and it passes unanimously.

Agenda Item 6: Workers' Compensation Self-Insurance

Mr. Salzillo states that the Authority self-insures and pays all the liability and expense for about 80-85% of the workforce. Over the past 5-10 years, RIPTA has gone to a third party insurance company to provide workers compensation insurance for the van operators and this is a consequence of when RIPTA took over the Paratransit Department. Looking at the numbers RIPTA is paying about a million dollars last year to self insure 80-85 % of the employees and about \$400,000 to pay to a third party to insure 10-15%. Based on the numbers, RIPTA can save about \$200,000 by going to self insurance and RIPTA can always revisit this issue if the savings do not materialize. Mr. Studley has signed a contract and entered into an amendment with the third party administrator who handles RITPA's claims and that cost would be approximately \$10,000 over the next few months. This does not require any Board action; however he wanted the Board to know the change in how RIPTA is operating.

Agenda Item 7: Retirement Health Care

Mr. Salzillo states that the State is going to a new healthcare program for retirees. Instead of paying premiums for its retirees it will take certain amount of money and put it into a health retirement account for each retiree and that person will be able to use that money as they see fit. The amount of money the State is putting in is based on the number of years of the employee and the date he/she is retiring. The State entered into this contract of May of this year and it states that RIPTA can enter into the same contract within 24 months of its execution which was in May. RIPTA received word on this; started doing internal research on this subject to determined what would be the best avenue for RITPA to take. RIPTA contacted Tower Exchange to get into this contract and Tower Exchange responded that there was not enough time administratively to get into the program by December 31st. Ms. Neira reached out to United Healthcare, which is RIPTA's current healthcare provider for quotes from them to extend the current plan for one year and then RIPTA can assess whether and how to go to the State HRA System. Mr. Salzillo states that it is now going to a premium based plan instead of a claim based plan which will decrease RIPTA's costs and affect the OPEB. RIPTA will come back to the Board with a contract with United before the end of the year for approximately a million dollars to provide health insurance.

Agenda Item 8: Quasi-Public Corporations Accountability Act

Mr. Salzillo states that this is the act that was passed this last legislative session. This was addressed at the Board's open meeting this morning regarding education and obligations of the Board. He has laid out in the attachment all the things that the Board has to do and has provided a current status report of each of these items. Mr. Salzillo states that he is bringing it to the Board to get a head start on this and to develop a schedule and plan to get these things accomplished on time. Mayor Avedisian states that Ms. Martin is the chair of an ad hoc committee on policy and procedures because with the arrival of Mr. Studley the Board knew that some major changes were needed to be made and policies and procedures would need to change or be implemented. He suggests that Mr. Salzillo speak with Ms. Martin to get the committee together to start working on this. Mayor Avedisian states that there were three members of the Board on this committee and will get this information for the next Board meeting.

Director Lewis asked is there anything that is more urgent than something else and something that the Board should address sooner than later. Mr. Salzillo would like to go through it with more detail before making that decision.

Mr. Salzillo states that it is more directories to get this in effect by January 1, 2015 and so long as RIPTA is moving forward an establishment of the overall system and have as many things in place as possible. There are a number of administrative things that were being completed in house.

Mayor Avedisian states that there are a number of policies that needed to be updated and he would like these things to Ms. Martin's group to get them adopted as they come online.

Mr. Williams would like RIPTA to complete all necessary assignments by January 1, 2015.

Mr. Gleason states that RIPTA will have to be cognoscente of the Administrative Procedures Act along with the Transparency act to be in compliance with both.

Agenda Item 9: FY 16 Operating Budget

Ms. DiLauro states that there was a meeting of the Finance Committee on September 16, 2014. She will take a few minutes to go over the highlights. Mayor Avedisian thanks Ms. DiLauro for the level of detail in the Budget.

Ms. DiLauro states that RIPTA will be receiving \$2.7 million in additional funds under Article 21 and this is included in the FY16 budget. There is just over a \$2.1 million deficit that is caused by a combination of things. There are contractual obligations on salaries on 618, 618A and 808 totaling about \$1.3 million. Debt Service is back from the State. Ms. DiLauro has spoken to the State and they recommend that RIPTA ask the State to continue to assume the Debt Service in General Revenue. The Finance Committee has suggested that the Board draft a Resolution in support of RIPTA asking the State to continue to assume the Debt Service.

Ms. DiLauro states that one of the downsides to RIPTA using less operating funds for capital match is using more of the Capital Revolving Loan Fund dollars which means over time the repayment will increase. That is up about \$150,000.

There is a significant rise in maintenance agreements with all the new technology RIPTA is implementing. It has spiked \$477,000.

RIPTA added three fixed route drivers which is \$210,000.

All of those components add up to \$3.8 million. If RIPTA did not have the Debt Service repayment the Authority could take \$1.7 off of that RIPTA would still have a \$2.1 million increase in expenses.

Ms. DiLauro states that RIPTA is submitting a budget that would show a \$2.1 million deficit as the State instructed and asking the State to take the Debt Service which would reduce the deficit to \$390,000 which is comparable to last year's budget. Ms. DiLauro states that there are no cash reserves to put toward the OPEB Liability however there is a Fare Study that will be completed in FY15 to address possible revenue enhancements. Also, RIPTA will look at Legislative changes or examine what RIPTA can do in house to enhance revenues.

Director Lewis states that he would like to thank Ms. DiLauro and the staff for a great job. RIPTA is showing a \$2 million deficit, however if RIPTA can have the Debt Service covered

by the State in the General Fund, as it has in years past this would reduce the deficit to just shy of \$400,000 which is a manageable deficit within the operating window. The Operating budget does not address the OPEB; however RIPTA does need to do something to get on top of this. He asks the staff to put together a range of what would it take and over what period of time to invest in the OPEB.

Mr. Studley states that they are still waiting for the actuary to provide numbers based on retiree health care going from claims based to a premium based system and he thinks this will lower the ARC significantly. Negotiations with the 618 contract RIPTA was successful with a 50% co share for all new hires starting January 1, 2013 and the actuary estimated \$1.5 million off the ARC with just that one change. Mr. Williams states that with a Premium base system if claims are above what is expected that would be fine for year one, there could be a huge spike in year two or three. That is what he worries about.

Director Lewis states that RIPTA needs to provide a graphical representation to show high, low, medium range and build in assumptions then show what happens if these assumptions are or are not realized. This would really make people aware and accountable when saying "no".

Mayor Avedisian states that RIPTA used to go up there every month with a different number as the deficit. Now, there is a handle on where RIPTA is and what RIPTA needs.

Mr. Williams states that he agrees with Director Lewis, having a best case and worst case scenario that RIPTA can point to would be very helpful. Something has to be done and decisions made on where to go from here and RIPTA cannot wait much longer. He likes the idea of a graphical display that shows this is what RIPTA has today, here is where RIPTA may be and if it doesn't happen this is what RIPTA will need.

Mr. Williams thanks Ms. DiLauro for being so responsive to his questions and working so hard on the budget.

Ms. DiLauro states that her new Budget Analyst has really helped her tremendously over the past few weeks.

Director Lewis makes a motion to approve the FY 16 Budget as presented. Mr. Ginaitt seconds the motion and it passes unanimously.

Agenda Item 10: Executive Session to consider, discuss and act upon such matters as may be closed to the public pursuant to R.I. Gen. Laws § 42-46-5(a)(2) regarding collective bargaining and litigation, and R.I. Gen. Laws § 42-46-5(a)(3) regarding the matter of security including but not limited to the deployment of security personnel or devices.

Mayor Avedisian asked for a motion to convene to Executive Session.

Mr. Williams reads the law to go to Executive Session and made the motion. Director Lewis seconds the motion and a roll call vote was taken. The motion to convene into Executive Session passed unanimously.

Agenda Item 11: Adjournment

Mayor Avedisian asks for a motion to seal the minutes from Executive Session. Mr. Williams makes a motion to seal the minutes. Ms. Martin seconds the motion and it passes unanimously.

Mayor Avedisian state that there is nothing to report back in open session and asks for a motion to adjourn the meeting.

Director Lewis makes a motion to adjourn the meeting. Mr. Williams seconds and it passes unanimously.

Respectfully submitted,

Marie DiToro, Recording Secretary